



華 厦 置 業 有 限 公 司

WAH HA REALTY COMPANY LIMITED

(Stock Code: 278)

## **INTERIM REPORT**

for the six months ended 30th September 2006

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## CORPORATE INFORMATION

### DIRECTORS

#### **Executive Directors**

Mr. Cheung Kee Wee (*Chairman*)  
Mr. Cheung Lin Wee  
Mr. Cheung Ying Wai, Eric

#### **Non-executive Directors**

Mr. John Ho  
Mr. Ng Kwok Tung

#### **Independent Non-executive Directors**

Mr. Lam Hon Keung, Keith  
Mr. Chan Woon Kong  
Mr. Soo Hung Leung, Lincoln

### AUDIT COMMITTEE

Mr. Lam Hon Keung, Keith (*Chairman*)  
Mr. John Ho  
Mr. Ng Kwok Tung  
Mr. Chan Woon Kong  
Mr. Soo Hung Leung, Lincoln

### REMUNERATION COMMITTEE

Mr. Soo Hung Leung, Lincoln (*Chairman*)  
Mr. Lam Hon Keung, Keith  
Mr. John Ho  
Mr. Ng Kwok Tung  
Mr. Chan Woon Kong

### COMPANY SECRETARY

Mr. Chu Wing Man, Raymond

### BANKERS

The Bank of East Asia, Limited  
Goldman Sachs (Asia) L.L.C.

### AUDITORS

PricewaterhouseCoopers

### SHARE REGISTRARS

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### STOCK CODES

The Stock Exchange of Hong Kong Limited  
278  
Reuters  
0278.HK

### WEBSITE

<http://www.wahha.com>

The Board of Directors of Wah Ha Realty Company Limited (the "Company") announces that the unaudited consolidated interim results of the Company and its subsidiary and associated companies (the "Group") for the six months ended 30th September 2006, with comparative figures of the previous period, are as follows:

### UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September 2006

		<b>Six months ended</b>	
		<b>30th September</b>	
	<i>Note</i>	<b>2006</b>	2005
		<b>HK\$</b>	<b>HK\$</b>
Turnover	4	<b>11,047,875</b>	5,712,135
Direct costs		<b>(622,317)</b>	(212,883)
Gross profit		<b>10,425,558</b>	5,499,252
Other gains – net		<b>1,496,765</b>	2,640,007
Changes in fair value of investment properties		<b>1,500,000</b>	1,950,000
Administrative expenses		<b>(2,391,339)</b>	(2,311,793)
Operating profit	5	<b>11,030,984</b>	7,777,466
Share of profits less losses of associated companies (Including share of revaluation surplus on investment properties net of related tax of HK\$9,222,874 (2005: HK\$8,353,125))		<b>17,819,571</b>	14,577,848
Profit before income tax		<b>28,850,555</b>	22,355,314
Income tax expense	6	<b>(787,510)</b>	(458,549)
Profit attributable to equity holders of the Company		<b>28,063,045</b>	21,896,765
Earnings per share	7	<b>23.2 cents</b>	18.1 cents
Dividends	8	–	–

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th September 2006

		30th September 2006 <i>HK\$</i>	31st March 2006 <i>HK\$</i>
	<i>Note</i>		
<b>ASSETS</b>			
Non-current assets			
Investment properties		<b>31,000,000</b>	29,500,000
Investments in associated companies		<b>153,131,218</b>	135,311,647
Amounts due from associated companies		<b>98,311,479</b>	101,130,980
Available-for-sale financial assets		<b>250,448</b>	250,448
Deferred income tax assets		<b>140,469</b>	136,737
		<u><b>282,833,614</b></u>	<u>266,329,812</u>
Current assets			
Properties held for sale		<b>5,796,705</b>	6,199,548
Trade and other receivables	9	<b>54,871,960</b>	56,931,897
Tax recoverable		<b>88,848</b>	141,058
Short-term investments	10	<b>148,783,483</b>	140,902,932
Cash and cash equivalents		<b>113,345,486</b>	110,980,630
		<u><b>322,886,482</b></u>	<u>315,156,065</u>
Total assets		<u><b>605,720,096</b></u>	<u>581,485,877</u>
<b>EQUITY</b>			
Capital and reserves attributable to the Company's equity holders			
Share capital	11	<b>78,624,000</b>	78,624,000
Retained profits	12	<b>497,486,391</b>	474,261,746
Total equity		<u><b>576,110,391</b></u>	<u>552,885,746</u>

		<b>30th September 2006</b>	31st March 2006
	<i>Note</i>	<b>HK\$</b>	<i>HK\$</i>
<b>LIABILITIES</b>			
Non-current liabilities			
Deferred income tax liabilities		<b>4,561,704</b>	4,299,851
Current liabilities			
Trade and other payables	13	<b>24,211,107</b>	23,940,565
Tax payable		<b>836,894</b>	359,715
		<b>25,048,001</b>	24,300,280
Total liabilities		<b>29,609,705</b>	28,600,131
Total equity and liabilities		<b>605,720,096</b>	581,485,877
Net current assets		<b>297,838,481</b>	290,855,785
Total assets less current liabilities		<b>580,672,095</b>	557,185,597

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

*For the six months ended 30th September 2006*

	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2006</b>	2005
	<b>HK\$</b>	HK\$
Total equity at beginning of period	<b>552,885,746</b>	517,452,264
Profit for the period	<b>28,063,045</b>	21,896,765
Dividends	<b><u>(4,838,400)</u></b>	<u>(4,838,400)</u>
Total equity at end of period	<b><u>576,110,391</u></b>	<u>534,510,629</u>

## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September 2006

	Six months ended 30th September	
	2006	2005
	<i>HK\$</i>	<i>HK\$</i>
Net cash generated from operating activities	<b>1,253,886</b>	530,168
Net cash generated from investing activities	<b>1,110,970</b>	9,379,967
Net increase in cash and cash equivalents	<b>2,364,856</b>	9,910,135
Cash and cash equivalents at beginning of period	<b>110,980,630</b>	97,473,287
Cash and cash equivalents at end of period	<b><u>113,345,486</u></b>	<b><u>107,383,422</u></b>
Analysis of cash and cash equivalents		
Cash and bank balances	<b><u>113,345,486</u></b>	<b><u>107,383,422</u></b>



## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is Room 2500, Dominion Centre, 43-59 Queen's Road East, Wanchai, Hong Kong.

The principal activities of the Company are investment holding and property investment.

The unaudited condensed consolidated interim financial statements ("interim financial statements") are presented in Hong Kong dollars (HK\$), unless otherwise stated. These interim financial statements have been approved for issue by the Board of Directors on 15th December 2006.

### 2. BASIS OF PREPARATION

These interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

These interim financial statements should be read in conjunction with the annual financial statements for the year ended 31st March 2006.

### 3. ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with those used in the annual financial statements for the year ended 31st March 2006.

With effect from 1st April 2006, the Group adopted the new/revised standards of Hong Kong Financial Reporting Standards ("HKFRS") below, which are relevant to its operations.

HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The adoption of the above standards had no material effect on the Group's financial statements.

The following new/revised standards have been issued but are not effective for the year ending 31st March 2007, which are relevant to the Group's operations.

HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HKFRS 7	Financial Instruments: Disclosures
HKAS 1 (Amendment)	Capital Disclosures

The Group has not yet adopted the above standards. The Group has commenced an assessment of their expected impact but is not yet in a position to state whether they will have a material impact on the Group's financial statements.

#### 4. TURNOVER AND SEGMENTAL INFORMATION

The principal activities of the Group include those relating to investment holding, property development and investment, property management and building contractor. There is no other significant identifiable separate business. In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Segment assets consist primarily of investment properties, associated companies, short-term investments, receivables and operating cash and exclude items such as tax recoverable and deferred income tax assets. Segment liabilities comprise operating liabilities and exclude items such as tax payable and deferred income tax liabilities. In respect of geographical segment reporting, as all of the Group's operations and assets are located in Hong Kong, no geographical segment is presented.

Turnover recognised during the period comprises the following:

	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2006</b>	2005
	<b>HK\$</b>	HK\$
Rental income	<b>2,346,979</b>	1,842,859
Management fee income	<b>680,551</b>	627,693
Interest income	<b>5,493,587</b>	2,951,355
Dividend income		
Listed investments	<b>108,697</b>	182,876
Unlisted investments	<b>68,510</b>	107,352
Construction supervision fee income	<b>89,551</b>	–
Sales of properties	<b>2,260,000</b>	–
	<b>11,047,875</b>	5,712,135

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

### 4. TURNOVER AND SEGMENTAL INFORMATION (Continued)

#### *Primary reporting format – business segments*

The segment results for the six months ended 30th September 2006 are as follows:

	Property investment, development and management and building contractor HK\$	Investments HK\$	Total HK\$
Turnover	5,377,081	5,670,794	11,047,875
Segment results	5,548,196	7,161,569	12,709,765
Unallocated costs			(1,678,781)
Operating profit			11,030,984
Share of profits less losses of associated companies	17,819,571	–	17,819,571
Profit before income tax			28,850,555
Income tax expense			(787,510)
Profit attributable to the equity holders of the Company			<u>28,063,045</u>

The segment assets and liabilities at 30th September 2006 are as follows:

	Property investment, development and management and building contractor HK\$	Investments HK\$	Total HK\$
Segment assets	343,067,429	149,077,864	492,145,293
Unallocated assets			113,574,803
Total assets			<u>605,720,096</u>
Segment liabilities	24,055,303	155,804	24,211,107
Unallocated liabilities			5,398,598
Total liabilities			<u>29,609,705</u>

The segment results for the six months ended 30th September 2005 are as follows:

	Property investment, development and management and building contractor <i>HK\$</i>	Investments <i>HK\$</i>	Total <i>HK\$</i>
Turnover	2,470,552	3,241,583	5,712,135
Segment results	3,536,116	5,872,767	9,408,883
Unallocated costs			(1,631,417)
Operating profit			7,777,466
Share of profits less losses of associated companies	14,577,848	–	14,577,848
Profit before income tax			22,355,314
Income tax expense			(458,549)
Profit attributable to the equity holders of the Company			<u>21,896,765</u>

The segment assets and liabilities at 31st March 2006 are as follows:

	Property investment, development and management and building contractor <i>HK\$</i>	Investments <i>HK\$</i>	Total <i>HK\$</i>
Segment assets	328,746,173	141,481,279	470,227,452
Unallocated assets			111,258,425
Total assets			<u>581,485,877</u>
Segment liabilities	23,821,860	118,705	23,940,565
Unallocated liabilities			4,659,566
Total liabilities			<u>28,600,131</u>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

### 5. OPERATING PROFIT

	<b>Six months ended 30th September</b>	
	<b>2006</b>	2005
	<b>HK\$</b>	<b>HK\$</b>
Operating profit is stated after crediting:		
Net realised and unrealised gains on short-term investments	<u><b>1,490,775</b></u>	<u>2,635,887</u>
and after charging:		
Cost of properties sold	<b>377,815</b>	–
Staff costs (including directors' remuneration)	<b>1,711,716</b>	1,672,849
Amortisation on leasehold land included in properties held for sale	<u><b>25,028</b></u>	<u>25,474</u>

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### 6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the period.

	<b>Six months ended 30th September</b>	
	<b>2006</b>	2005
	<b>HK\$</b>	<b>HK\$</b>
Company and subsidiary companies		
Hong Kong profits tax	<b>529,389</b>	121,757
Deferred income tax	<u><b>258,121</b></u>	<u>336,792</u>
	<u><b>787,510</b></u>	<u>458,549</u>

Share of tax attributable to associated companies for the six months ended 30th September 2006 of HK\$2,674,114 (2005: HK\$2,964,326) is included in the income statement as share of profits of associated companies.

## 7. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to equity holders of the Company of HK\$28,063,045 (2005: HK\$21,896,765) and on 120,960,000 shares in issue during the period.

## 8. DIVIDENDS

	<b>Six months ended 30th September</b>	
	<b>2006</b>	2005
	<b>HK\$</b>	HK\$
2006 final dividend paid of HK4 cents (2005: HK4 cents) per share	<b>4,838,400</b>	4,838,400

The Board of Directors has resolved not to declare any interim dividend for the six months ended 30th September 2006 (2005: nil).

## 9. TRADE AND OTHER RECEIVABLES

	<b>30th September 2006 HK\$</b>	31st March 2006 HK\$
Trade receivables		
Below 60 days	<b>100,471</b>	112,554
Over 60 days	<b>52,772</b>	44,469
	<b>153,243</b>	157,023
Other receivables	<b>2,218,915</b>	1,931,951
Amounts due from associated companies	<b>52,260,693</b>	54,688,814
Amount due from a related company	<b>75,000</b>	–
Prepayments and utility deposits	<b>164,109</b>	154,109
	<b>54,871,960</b>	56,931,897

Trade receivables represent rental receivable which is normally due for payment upon presentation of debit note at the beginning of each rental period.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

### 10. SHORT-TERM INVESTMENTS

	<b>30th September 2006 HK\$</b>	31st March 2006 HK\$
Unlisted held-to-maturity securities	<b>111,865,311</b>	69,721,820
Financial assets at fair value through profit or loss		
Listed shares – Hong Kong	<b>12,617,933</b>	8,886,411
Listed shares – Overseas	<b>7,287,413</b>	7,628,926
Unlisted quoted investment fund	<b>1,496,288</b>	261,042
Unlisted bonds	<b>15,516,538</b>	15,217,743
Unlisted equity linked notes	–	39,186,990
	<b><u>148,783,483</u></b>	<u>140,902,932</u>

### 11. SHARE CAPITAL

	<b>30th September 2006 HK\$</b>	31st March 2006 HK\$
Authorised:		
150,000,000 shares of HK\$0.65 each	<b><u>97,500,000</u></b>	<u>97,500,000</u>
Issued and fully paid:		
120,960,000 shares of HK\$0.65 each	<b><u>78,624,000</u></b>	<u>78,624,000</u>

## 12. RETAINED PROFITS

	HK\$
At 1st April 2006	474,261,746
Profit for the period	28,063,045
Dividends	(4,838,400)
	<hr/>
<b>At 30th September 2006</b>	<b>497,486,391</b>
	<hr/> <hr/>
At 1st April 2005	438,828,264
Profit for the period	21,896,765
Dividend	(4,838,400)
	<hr/>
At 30th September 2005	455,886,629
Profit for the period	18,375,117
	<hr/>
At 31st March 2006	<u>474,261,746</u>

## 13. TRADE AND OTHER PAYABLES

	30th September 2006 HK\$	31st March 2006 HK\$
Trade payables		
Below 90 days	22,480	141,407
Over 90 days	10	10
	<hr/>	<hr/>
	22,490	141,417
Other payables	1,016,473	3,257,814
Amounts due to associated companies	21,469,602	18,704,102
Amounts due to related companies	150,000	200,664
Rental and utility deposits received	962,958	915,718
Accrued expenses	589,584	720,850
	<hr/>	<hr/>
	<b>24,211,107</b>	<b>23,940,565</b>
	<hr/> <hr/>	<hr/> <hr/>



**NOTES TO THE INTERIM FINANCIAL STATEMENTS** (Continued)

**14. SIGNIFICANT RELATED PARTY TRANSACTIONS**

The following is a summary of the related party transactions carried out in the normal course of the Group's business activities during the period:

	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2006</b>	2005
	<b>HK\$</b>	<b>HK\$</b>
Related company		
Estate agency fee income ( <i>Note</i> )	<b>75,000</b>	75,000
Key management compensation		
Directors' emoluments	<b>75,000</b>	75,000
	<u>75,000</u>	<u>75,000</u>

*Note:* The Group provided estate agency services to a related company at a fixed annual fee.

## **INTERIM DIVIDEND**

The Board of Directors has resolved not to declare the payment of an interim dividend for the six months ended 30th September 2006 (2005: nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Results**

For the six months ended 30th September 2006, the Group attained an unaudited consolidated profit attributable to equity holders of HK\$28.1 million, representing an increase of about 28.2% from the HK\$21.9 million recorded in the corresponding period in 2005. This significant improvement in profit was due to an increase in interest income on the back of higher interest rates in the reporting period. In addition, as reported previously in 2006 Annual Report, two properties were disposed of during the period under review and accordingly, profits from these disposals were recorded. Interest income rose by HK\$2.5 million and the sales of the two properties resulted in a profit of HK\$3.6 million. These favourable factors were however adversely affected by a setback in the securities investment. The gains from our investment portfolio were HK\$1.1 million less than that of the last corresponding period. The increase in value of the Group's investment properties was similar to that of the last period, a slight increase of HK\$0.5 million was recorded in this respect.

### **BUSINESS REVIEW**

#### **Property Investment, Development and Management and Building Contractor**

During the period under review, the Group's Rental Business had improved significantly. The Group had enjoyed a better unit rate upon renewal of tenancies. An increase of about 27.4% in rental income was recorded. Provided that the economic conditions are sustainable and the momentum of growth is maintained, the Group is optimistic that the annual results of this segment will be favourable.

For the period under review, the Company sold one of its properties held for sale – a unit in Yip Win Factory Building at Kwun Tong, in which the Company had 50% interest. The Group's share of profit from this sale was HK\$1.9 million. Also, the Group's 50% owned associated company sold one of its investment properties – a unit together with two carparks in Grosse Pointe Villa at Stanley. The Group's share of profit from this sale amounted to HK\$1.7 million. Save as disclosed in Post Balance Sheet Event below, subsequent to the period under review, the Group did not acquire or dispose of any property.

## **BUSINESS REVIEW** (Continued)

### **Property Investment, Development and Management and Building Contractor** (Continued)

During the period under review, the performance of the Group's Property Management Business was comparable to 2005. A slight improvement of 8.4% in turnover was recorded.

The turnover of our Building Contractor Business for the reporting period was below HK\$0.1 million whereas no revenue was received in the corresponding period last year. In order to have better utilization of the Group's resources, the Group decided to maintain a minimum workforce and will adopt a more flexible approach in managing the manpower.

### **Investment**

During the period under review, the Group's Investment Business performance was satisfactory. The main contributions still came from the increase in interest income. The Group is virtually debt-free and therefore the general interest rate hike since early 2004 has continued to lift the level of interest income without raising interest expenses of the Group. For the period under review, the Group reported an increase of interest income for HK\$2.5 million.

On the other hand, the relatively high growth in the value of our investment portfolio could not be maintained as the prices of the securities were already recorded at high values. Persistently achieving new highs in securities prices would therefore be more difficult. Nevertheless, the Group could still achieve a satisfactory result from the sales of short-term investments. The aggregate results reported for these two elements were a decrease in profit by HK\$1.1 million.

### **Post Balance Sheet Event**

Subsequent to the balance sheet date, an associated company entered into an agreement with an independent third party for the sale of a property at a consideration of HK\$8 million. The Company's share of the consideration amounted to HK\$4 million. The disposal did not constitute any transaction subject to the notification, publication and independent shareholders' approval requirements under Chapter 14 and 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") ("the Listing Rules").

## **OTHER DISCLOSURE**

Other than as disclosed above, the Directors are not aware of any other material changes to the information in relation to the Group's performance and the material factors underlying its results and financial position published in the annual report for the year ended 31st March 2006.

## **PROSPECTS**

For the period under review, the Hong Kong economy has enjoyed continued and steady improvement. The recently announced unemployment rate dropped to 4.5% with a record high labour force of about 3.67 million. Year-on-year 2006 3rd Quarter GDP was 6.6%. The US interest rate had leveled out since the beginning of the 4th Quarter. Furthermore, the market expects a reduction in US interest rate in early 2007. The satisfactory land auction sales demonstrate the confidence of property developers. All of these are favourable factors to the property market of Hong Kong. It is anticipated that the Group's property-related businesses will benefit from the resulting higher rental and occupancy rates.

The level off or even decline in US interest rate may however be perceived as a sign of a slow down in the US economy. Given Hong Kong economy's dependence on its exports and trade with the US in particular, the well being of the US economy needs to be closely observed. Further, the persistently high crude oil and commodity prices have adverse impact on the worldwide operating environment and hence the overall economic growth. Although we are optimistic with the local economy, we are still cautious of these unfavourable signs. The Group will continue to adopt prudent financial management, closely monitor uncertainties in the market and be committed to deliver better overall results to equity holders of the Company.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group is virtually debt-free and generally finances its operations with internally generated cash flows. The Group's cash and bank balances amounted to HK\$113.35 million at 30th September 2006. The Board believes that the Group has sufficient financial resources for its operations. The Group has no material exposure to foreign exchange rate fluctuation and material contingent liabilities.

## EMPLOYMENT AND REMUNERATION POLICIES

As at 30th September 2006, the Group had less than twenty employees and their remuneration are maintained at competitive levels. Total staff costs (including Directors' remuneration) amounted to HK\$1.71 million (2005: HK\$1.67 million). Remuneration policies are reviewed regularly by the Board and by the Remuneration Committee regarding Directors and senior management. Employees' salaries are determined on performance basis with reference to the market trend. In addition, discretionary bonuses are granted to eligible employees by reference to the Group's results and individual performance. Other benefits include education subsidies, medical and retirement benefits.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th September 2006, the interests and short positions of the Directors and Chief Executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

### Long Positions in Ordinary Shares of the Company

Name of Director	Personal Interests	Corporate Interests	Other Interests	Total	% of issued share capital
Cheung Kee Wee	–	1,705,360 (Note 1)	87,391,440 (Note 2)	89,096,800	73.66
Cheung Lin Wee	572,000	–	87,391,440 (Note 2)	87,963,440	72.72
Cheung Ying Wai, Eric	396,000	–	13,444,837 (Note 3)	13,840,837	11.44

*Notes:*

- (1) These shares were held by a company of which Mr. Cheung Kee Wee ("CKW") and his spouse in aggregate owned 50% interest. Therefore, CKW was deemed to be interested in these shares under the SFO.
  - (2)\* The 87,391,440 shares of CKW and Mr. Cheung Lin Wee ("CLW") related to the same block of shares in the Company. CKW and CLW are two of the three executors (the "Executors") under the Will of Mr. Cheung Kung Hai, deceased ("CKH") who held 87,391,440 shares before his death. Under the Will of CKH in which CKW and CLW are also two of the beneficiaries, the assets are to be held on trust for sale. The Executors however have right of appropriation of the assets to the beneficiaries in specie and there is hence a possibility that shares will be distributed to beneficiaries. To avoid double counting, the number of shares that may contingently be allocated to CKW and CLW respectively have not been added to these numbers of shares.
  - (3)\* CKH held 87,391,440 shares before his death. Under the Will of CKH in which Mr. Cheung Ying Wai, Eric ("CYW") is one of the beneficiaries, there is a possibility that these 13,444,837 shares will be allocated to CYW.
- \* Since probate has not been granted and the Executors are not yet registered as holders of the shares in question, strictly speaking, a trust of the shares has not yet been legally constituted.

Save as disclosed above, as at 30th September 2006, none of the Directors or Chief Executives of the Company or any of their associates had or were deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS

So far as is known to the Directors or Chief Executives of the Company, as at 30th September 2006, the following Shareholders (other than Directors or Chief Executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company were as follows:

### Long Positions in Ordinary Shares of the Company

	Number of shares	% of issued share capital
<b>Substantial Shareholders:</b>		
Cheung Kung Hai, deceased	87,391,440	72.25
Chin Lan Hong	99,387,040 (Note 1)	82.17
Kung So Ha, Anne	89,096,800 (Note 2)	73.66
Wu Suet Yi, Rita	87,963,440 (Note 3)	72.72
Hoh Kwok Hing, Corinne	13,840,837 (Note 4)	11.44
<b>Person other than Substantial Shareholders:</b>		
Megabest Securities Limited	11,295,600 (Note 5)	9.34

Notes:

- (1)\* Out of the 99,387,040 shares, 11,295,600 shares were held by Megabest Securities Limited ("Megabest") of which Madam Chin Lan Hong ("CLH") was interested in the entire issued share capital, through the chain of ownership being described in Note (5) below; 700,000 shares were held under her personal interests; and 87,391,440 shares related to the same block of shares as described in "Other Interests" of CKW and CLW respectively under the heading of "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures", as CLH together with CKW and CLW are the Executors under the Will of CKH who held 87,391,440 shares before his death. Under the Will of CKH, CLH is also one of the beneficiaries. To avoid double counting, the number of shares which may contingently be allocated to CLH has not been added to this number of shares.
- (2) Ms. Kung So Ha, Anne is the wife of CKW and was taken to be interested in these shares in which her spouse was interested under the SFO.

- (3) Ms. Wu Suet Yi, Rita is the wife of CLW and was taken to be interested in these shares in which her spouse was interested under the SFO.
  - (4) Ms. Hoh Kwok Hing, Corinne is the wife of CYW and was taken to be interested in these shares in which her spouse was interested under the SFO.
  - (5) These 11,295,600 shares held by Megabest related to the same block of shares as described in Note (1). These shares were held by Megabest through its wholly owned subsidiary, Profit-taking Company Inc., which in turn held the entire issued share capital of Pullfield Company Limited, the registered owner of the said 11,295,600 shares of the Company.
- \* Since probate has not been granted and the Executors are not yet registered as holders of the shares in question, strictly speaking, a trust of the shares has not yet been legally constituted.

Save as disclosed above, as at 30th September 2006, the Company has not been notified by any person (other than Directors or Chief Executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company.



## DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

As at 30th September 2006, the Group had provided financial assistance to its affiliated companies amounting to HK\$150,572,172 in aggregate which exceeded 8% under the assets ratio as defined under the Listing Rules.

In accordance with the requirements under Rule 13.22 of the Listing Rules, a combined balance sheet of and the Group's attributable interest in these affiliated companies as at 30th September 2006 are set forth below:

	<b>Combined Balance Sheet</b>	<b>Group's Attributable Interests</b>
	<i>HK\$</i>	<i>HK\$</i>
Non-current assets	741,522,159	177,976,951
Current assets	252,857,693	84,411,394
Current liabilities	(588,864,004)	(160,279,682)
Net current liabilities	(336,006,311)	(75,868,288)
Non-current liabilities	(135,217,788)	(11,820,808)
Net assets	270,298,060	90,287,855

## PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiary companies has purchased or sold any of the Company's issued shares during the period.

## CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code Provision(s)") contained in Appendix 14 to the Listing Rules throughout the six months ended 30th September 2006, except for the following deviations:–

1. Under the Code Provision A.2.1, the roles of the Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual. Mr. Cheung Kee Wee is the Chairman of the Board and there is not a post of CEO in the Company. The roles of the CEO are performed by all the Executive Directors with clear division of responsibilities under the leadership of the Chairman. The Board considers that this arrangement allows contributions from all Executive Directors with different expertise and can ensure the balance of power and authority between the Board and the management of the Group. The Board therefore believes that this structure can enable the Group to make and implement decisions promptly and efficiently and is beneficial to the business prospect of the Group.
2. Under the Code Provision A.4.1, Non-executive Directors should be appointed for a specific term and subject to re-election. All the five Non-executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company ("AGM") in accordance with Article 103(A) of the Company's Articles of Association. There are eight Directors including five Non-executive Directors of the Company for the time being. As one-third of them shall retire from office by rotation at each AGM, each of them shall retire at least once every three years.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its Code of Conduct for dealing in securities of the Company by the Directors. All Directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the six months ended 30th September 2006.

## AUDIT COMMITTEE

The Audit Committee consists of the three Independent Non-executive Directors, namely Messrs. Lam Hon Keung, Keith (Chairman), Chan Woon Kong and Soo Hung Leung, Lincoln and the two Non-executive Directors, namely Messrs. John Ho and Ng Kwok Tung. The Audit Committee has reviewed with the Auditors of the Company the unaudited consolidated interim results of the Company for the six months ended 30th September 2006 and has no reservation on the accounting treatments adopted by the Group.

By Order of the Board  
**Raymond W M Chu**  
*Company Secretary*

Hong Kong, 15th December 2006